



**Office of the Attorney General
Paul G. Summers**

NEWS RELEASE

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**STATES POISED TO TAKE ACTION AFTER PHILIP MORRIS SAYS IT MAY NOT
MAKE \$2.6 BILLION TOBACCO SETTLEMENT PAYMENTS**

Tennessee and the nation's other Attorneys General are preparing to take action if Philip Morris USA does not follow through with its agreement to pay state governments the \$2.6 billion it agreed to pay in tobacco settlement money next month.

"The State Attorneys General have done all we could think of to prepare for this kind of possibility, and we will work together to address our mutual interests," Tennessee Attorney General Paul G. Summers said. "Tennessee will do whatever it takes to prevent any disruption of revenue at any time, but especially now when we are already suffering budget problems."

Lawyers for the nation's largest tobacco company warned the states that it may be unable to make payments if Philip Morris is forced to post a \$12 billion appeal bond as a result of a judgment in Illinois.

A Madison County Illinois Circuit Judge recently awarded more than \$10 billion to smokers who sued Philip Morris Recently in a class action. Under Illinois court rules, in order to appeal the judgment, Philip Morris must post bond, which can be equal to the judgment, plus costs and interest. The judge set the bond at \$12 billion. The judge has the discretion to reduce or modify the appeal bond.

Under a settlement in 1998, tobacco companies agreed to pay the states more than \$206 billion

over the next 25 years. Currently Philip Morris pays a little more than half of the annual payments.

Attorney General Summers said he is still hopeful the Illinois court bond issue can be resolved without a default in state tobacco payments. “If this matter cannot be reconciled, Tennessee and all the other states will be ready to go to court.”

Summers said the legal action will not address the \$10 billion judgment. If the courts ultimately decide Philip Morris loses, the company should pay, he said. “Our sole interest is the \$12 billion bond, which, in this case, could deal a significant, unnecessary financial blow to the states.”

All the nation’s attorneys general are considering our legal options in the event the company declares bankruptcy,” Summers said. “The settlement agreement with tobacco companies was carefully written to protect the states. This remains our number one priority.”